

Message Text

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21

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 AGR-05

IO-10 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00

PA-01 PRS-01 USIA-06 COME-00 FRB-03 XMB-02 OPIC-03

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R 231806Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0346

AMEMBASSY KINSHASA

AMEMBASSY PARIS

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

CONFIDENTIAL BONN 08398

E.O. 11652: GDS

TAGS: EAID, EFIN, GW, CG

SUBJECT: ZAIRE FINANCIAL SITUATION

REFS: (A) BONN 07862; (B) STATE 120430; (C) BRUSSELS

4301

1. EMBOFF CONVEYED SUBSTANCE OF MOST USEFUL ANALYSIS
OF ZAIRE BOP SITUATION AND PROSPECTS, AND STATEMENT OF
USG POSITION ON ASSISTANCE (REF B) TO DHOND'T, WHO WAS
MOST ANXIOUS TO OBTAIN US VIEWS BEFORE DEPARTING THIS
WEEKEND FOR KINSHASA.

2. DHOND'T STATED THAT THE FRG ANALYSIS OF THE SHORT
AND LONG-TERM FINANCIAL SITUATION IS IN COMPLETE
HARMONY WITH OURS. ON THE QUESTION OF SHORT-TERM
ASSISTANCE, HE AGREED THAT THE IMF WAS THE BEST
SOLUTION. HE REPEATED FRAU KOCH'S POSITION IN REF A
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THAT THERE IS NO POSSIBILITY OF BILATERAL ASSISTANCE
AT THIS TIME FROM THE FEDERAL REPUBLIC.

3. WHEN QUERIED REGARDING HIS KNOWLEDGE OF THE POSITION OF OTHER DONORS, DHONDT MADE SEVERAL INTERESTING COMMENTS. WITH RESPECT TO THE FRENCH, HE INDICATED THAT THEY HAD OFFERED SHORT-TERM FINANCIAL ASSISTANCE IN THE FORM OF SOME TYPE OF LONGER-TERM SUPPLY AGREEMENT FOR COPPER. WHILE UNFAMILIAR WITH THE DETAILS, HE SPECULATED THAT THE GOZ MIGHT BE WILLING TO ACCEPT LONG-RUN SUPPLY CONTRACTS AT THE PRESENT DEPRESSED PRICE WITH THE FRENCH OFFERING PARTIAL (OR COMPLETE) PREPAYMENT. UNDER THIS ARRANGEMENT THE GOZ WOULD SACRIFICE SOME FUTURE EARNINGS FOR IMMEDIATE CASH OR BOP ASSISTANCE, THEREBY RELIEVING THE SHORT-RUN PROBLEM. WITH RESPECT TO POSSIBLE SHORT-TERM ASSISTANCE FROM IRAN, DHONDT REPORTED THAT THE TERMS OFFERED BY THE IRANIANS WERE EXTREMELY STIFF AND CAUSED A FAIR AMOUNT OF DISAPPOINTMENT IN THE GOZ. AMONG OTHER EUROPEAN NATIONS, HE CONSIDERED THE BRITISH AND ITALIANS UNLIKELY DONORS SINCE THEIR OWN BOP AND BUDGETARY POSITIONS ARE EXTREMELY WEAK, AND HE THOUGHT THAT FOR POLITICAL REASONS THE BELGIANS WOULD NOT INITIATE BILATERAL ASSISTANCE, BUT MIGHT CONSIDER AN AD HOC MULTILATERAL APPROACH OR IMF STABILIZATION PROGRAM.

4. ALTHOUGH DHONDT SHARES OUR VIEW THAT THE IMF IS THE BEST VEHICLE FOR SOLVING ZAIRE'S SHORT-RUN PROBLEM, HE DOES NOT BELIEVE THAT MOBUTU WILL ACCEPT IMF ASSISTANCE SINCE HE WILL NOT, FOR POLITICAL REASONS, ACCEPT THE CONDITIONS ATTACHED TO SUCH SUPPORT. THUS, DHONDT EXPECTS FURTHER DEFAULTS ON COMMERCIAL CREDITS AND A GOZ ATTEMPT TO POSTPONE REPAYMENT OF OFFICIAL DEBTS.

5. AT THE END OF THE DISCUSSION, EMBOFF PROPOSED THAT DHONDT MEET WITH AMB HINTON DURING HIS STAY IN KINSHASA. DHONDT WELCOMED THE OPPORTUNITY AND SAID THAT HE WOULD GET IN TOUCH WITH THE EMBASSY SHORTLY AFTER HIS ARRIVAL. EMBASSY KINSHASA SHOULD BE AWARE
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THAT SELECTION OF DHONDT, WHO IS NOT AT POLICY-MAKING LEVEL, HAS BEEN CHOSEN TO FULFILL SCHEEL'S PROMISE IN ORDER TO AVOID IMPRESSION THAT HE COULD NOT MAKE ANY COMMITMENTS.

HILLENBRAND

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